

Message Text

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42

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 EB-11 TRSE-00 FRB-02 ABF-01 FS-01

OPR-02 A-01 SCI-06 SCEM-02 INT-08 SS-20 NSC-10 H-03

L-03 AID-20 CIAE-00 COME-00 INR-10 NSAE-00 RSC-01

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

STR-08 CEA-02 DRC-01 /184 W
----- 108577

R 280945Z DEC 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 8996

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USMISSION OECD PARIS

LIMITED OFFICIAL US TOKYO 16714

PASS TREASURY AND FEDERAL RESERVE

EO 11652: NA

TAGS: EFIN JA

SUBJ: TOKYO FOREX MARKET DEVELOPMENTS - DEC 24-28

1. DOLLAR IN SPOT MARKET HELD STEADY THROUGHOUT WEEK OF
HEAVY TRADING DUE TO SUBSTANTIAL AMOUNT OF BOJ INTERVENTION.

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REPRESENTATIVE RATE CLOSED ON FRIDAY AT Y280.00 SAME AS ON

MONDAY. TRANSACTIONS DURING THE WEEK WERE IN THE RANGE OF Y279.98 TO Y280.00 PER DOLLAR. VOLUME IN THE SPOT MARKET WAS EXTREMELY HEAVY, WITH DAILY HIGH REACHED ON FRI. OF \$232.6 MILLION TOTAL WEEKLY VOLUME WAS \$859.5 MILLION. BOJ OFFICIAL DESCRIBED MARKET AS SOMEWHAT HECTIC, FOLLOWING MONDAY'S ANNOUNCEMENT BY OPEC COUNTRIES OF INTENT TO DOUBLE OIL PRICES. THIS COULD CONCEIVABLY MEAN A TOTAL OIL IMPORT BILL FOR JAPAN OF SOME \$12 BILLION IN 1974 VERSUS APPROXIMATELY \$6 BILLION FOR 1973. AS RESULT HE INDICATED TRADING COMPANIES WERE HEAVY BUYERS OF FORWARD DOLLARS. THIS IN TURN PUT SEVERE PRESSURE ON SPOT DOLLAR RATE SINCE FOREIGN EXCHANGE BANKS ARE OBLIGATED TO OFFSET THEIR FORWARD DOLLAR SALES BY PURCHASES OF DOLLARS IN THE SPOT MARKET. TOTAL BOJ INTERVENTION (DOLLAR SALES) AMOUNTED TO APPROXIMATELY \$600 MILLION FOR THE WEEK. BOJ RELUCTANT TO ALLOW SPOT DOLLAR RATE TO STRENGTHEN FURTHER AGAINST YEN (WHICH WOULD STEM OUTFLOW OF FOREIGN EXCHANGE RESERVES) SINCE SUCH MOVE WOULD ONLY EXACERBATE PRESENT SERIOUS INFLATIONARY SITUATION BY CAUSING HIGHER PRICES FOR IMPORTS. INCLUDING OIL.

2. FORWARD DOLLAR PREMIUMS MOVED SUBSTANTIALLY HIGHER OVER THE 5-DAY PERIOD. 3 MONTH FORWARD (MARCH DELIVERY) CLOSED ON DEC 28 AT Y303.30 UP Y4.80 FROM MONDAY'S CLOSE. 6 MONTH FORWARD (JUNE DELIVERY) CLOSED WEEK AT Y314.60 UP Y11.90 FROM MONDAY. END OF WEEK CLOSE FOR 3 MONTH FORWARD REPRESENTED PREMIUM OF 33.29 PERCENT WHILE THAT FOR 6 MONTH FORWARD REPRESENTED PREMIUM OF 24.71 PERCENT. TOTAL VOLUME IN THE FORWARD MARKET WAS \$657.6 MIL., WHILE VOLUME IN THE SWAP MARKET REGISTERED \$136.9 MIL.

3. ON SUBJECT OF GOJ FOREX CONTROLS, BOJ OFFICIAL CAUTIONED THAT STORY REPORTED BY KYODO NEWS SERVICE ON DEC 26 THAT BOJ WILL HENCEFORTH NOT APPROVE DIRECT INVESTMENTS IN REAL ESTATE, HOTELS AND OTHER LEISURE FACILITIES ABROAD IS FALSE. HE STATED THAT NO SUCH DECISIONS HAVE BEEN TAKEN BY CENTRAL BANK AUTHORITIES.
SHOESMITH

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Message Attributes

Automatic Decaptioning: X
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Copy: SINGLE
Draft Date: 28 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
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Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1973/newtext/t1973122/aaaaavi.tel
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Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
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30 JUN 2005

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TAGS: EFIN, JA
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